

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15

SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 /104 W

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FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 5372

UNCLAS SANTO DOMINGO 5162

E.O. 11652: N/A

TAGS: EFIN

SUBJ: PETROLEUM: EFFECT OF PRICE INCREASE ON DR

REF: A) SD 2894; B) SD 4177

1. DUE TO THE 10 PERCENT INCREASE IN THE PRICE OF OIL ANNOUNCED BY OPEC EFFECTIVE OCTOBER 1, EMBASSY ESTIMATES THAT THE ADDITIONAL FOREIGN EXCHANGE IMPORT COST OF OIL FOR THE REMAINING THREE MONTHS OF THE YEAR WILL RESULT IN THE TOTAL OUTLAY OF FOREIGN EXCHANGE FOR PETROLEUM IN 1975 BEING UPPED FROM DOLS 168.3 MILLION TO DOLS 172.5 MILLION. ASSUMING THE SAME VOLUME OF OIL IMPORTS FOR 1976 AS 1975, THE COST NEXT YEAR WOULD RISE TO DOLS 185.1 MILLION.

2. THE CLOSING OF GASOLINE STATIONS ON SUNDAYS AND HOLIDAYS EFFECTIVE JUNE 26, 1975 (SEE REFTEL A) DID NOT REDUCE THE CONSUMPTION OF GASOLINE. ON THE CONTRARY, CONSUMPTION CONTINUED TO GROW. THE PRICE INCREASE, HOWEVER, FROM 67 CENTS PER GALLON TO 84 CENTS PER GALLON EFFECTIVE OCTOBER 22, 1975, WILL DUNDOUBTEDLY RESULT IN SOME REDUCTION IN CONSUMPTION. THE GRADUAL REPLACEMENT OF AUTOMOBILES BY BUSES AS THE PRINCIPAL MEANS OF PUBLIC TRANSPORTATION WILL ALSO RESULT IN LESS CONSUMPTION. OFFSETTING THIS SAVING, HOWEVER, WILL THE COMING-ON STREAM NEXT SUMMER OF ADDITIONAL ELECTRIC POWER GENERATORS OPERATED BY PETROLEUM.

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3. ALL IN ALL IT WOULD APPEAR THAT THERE WILL BE SOME INCREASE IN VOLUME CONSUMPTION OF PETROLEUM AND ITS DERIVATIVES DURING 1976. THE EMBASSY ESTIMATES THAT THE PETROLEUM CONSUMPTION INCREASE IN THE DR FROM 1972 TO 1973 WAS 6.9 PERCENT, FROM 1973 TO 1974 18.4 PERCENT, AND FROM 1974 TO 1975 5.7 PERCENT. TAKING THE LAST FIGURE AS PROBABLY LASTEST ESTIMATE FOR THE 1975-1976 VOLUME INCREASE, ONE CAN PROJECT A 1976 FOREIGN EXCHANGE COST OF DOLS 195.7 MILLION.

4. IN ADDITION, THE RISE IN THE COST OF OIL WILL INDIRECTLY RAISE THE COST OF IMPORT PRODUCTS WHICH USE OIL AS A FACTOR OF PRODUCTION. NO CONCRETE DATA IS AVAILABLE, HOWEVER, FOR QUANTIFYING OR ESTIMATING THESE INDIRECT COSTS TO THE DR.
HURWITCH

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Message Attributes

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Margaret P. Grafeld
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